

I, LINDA A. KELLEHER, City Clerk of the City of Reading, Pa., do hereby certify, that the foregoing is a true and correct copy of the original Ordinance passed by the Council of the City of Reading, on the 19th day of June A. D. 20 09. Witness my hand and seal of the said City this 19th day of June A. D. 20 09.

CITY OF READING

PENNSYLVANIA

ORDINANCE NO. 49-2009

CITY CLERK

AN ORDINANCE

OF THE COUNCIL OF THE CITY OF READING, BERKS COUNTY, PENNSYLVANIA, AUTHORIZING AND DIRECTING THE INCURRENCE OF LEASE RENTAL DEBT, IN AN AGGREGATE PRINCIPAL AMOUNT OF SIX MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS (\$6,550,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT, AS CODIFIED BY THE ACT OF DECEMBER 19, 1996 (P.L. 1158, No. 177), AS AMENDED (THE "DEBT ACT"), DETERMINING THAT SUCH DEBT SHALL BE INCURRED UNDER THE DEBT ACT AS LEASE RENTAL DEBT TO BE EVIDENCED BY A CERTAIN GUARANTY AGREEMENT OF THE CITY SECURING THE DEBT OBLIGATION (THE "PENNVEST DEBT OBLIGATION") TO BE ISSUED BY THE READING AREA WATER AUTHORITY (THE "AUTHORITY") TO FINANCE A PROJECT OF THE AUTHORITY CONSISTING OF (1) CERTAIN CAPITAL PROJECTS OF THE AUTHORITY, INCLUDING THE CONSTRUCTION OF A NEW BOOSTER STATION TO SERVICE THE 18TH WARD, THE CLEANING AND RELINING OF THE 11TH STREET WATER MAIN, AND THE REPLACEMENT OF 7,500 RESIDENTIAL WATER METERS; AND (2) THE PAYMENT OF THE COSTS ASSOCIATED WITH THE ISSUANCE OF THE PENNVEST DEBT OBLIGATION; BRIEFLY DESCRIBING THE PROJECT FOR WHICH SUCH DEBT IS TO BE INCURRED; AUTHORIZING AND DIRECTING THE PROPER OFFICERS OF THE CITY: (A) TO PREPARE, TO CERTIFY, AND TO FILE THE DEBT STATEMENT AND BORROWING BASE CERTIFICATE REQUIRED BY SECTION 8110 OF THE DEBT ACT; (B) TO THE EXTENT FEASIBLE, TO CAUSE TO BE PREPARED AND FILED, STATEMENTS REQUIRED BY SECTION 8026 OF THE DEBT ACT WHICH ARE NECESSARY TO QUALIFY ALL OF SUCH LEASE RENTAL DEBT FOR EXCLUSION FROM THE APPROPRIATE DEBT LIMITS AS SELF-LIQUIDATING DEBT; (C) TO EXECUTE, TO ATTEST, TO SEAL, AND TO DELIVER, AS APPROPRIATE, A REIMBURSEMENT AGREEMENT AND A GUARANTY AGREEMENT; APPROVING THE FORM OF THE REIMBURSEMENT AGREEMENT AND THE GUARANTY AGREEMENT; SPECIFYING THE AMOUNT OF THE GUARANTY OBLIGATIONS OF THE CITY PURSUANT TO SUCH GUARANTY AGREEMENT AND THE SOURCES OF PAYMENT OF SUCH GUARANTY OBLIGATIONS; AUTHORIZING THE PROPER OFFICERS OF THE CITY TO TAKE ALL OTHER REQUIRED, NECESSARY OR DESIRABLE RELATED ACTION IN CONNECTION WITH SUCH PROJECT AND THE EXECUTION AND DELIVERY OF THE REIMBURSEMENT AGREEMENT AND THE GUARANTY AGREEMENT; PROVIDING FOR THE EFFECTIVENESS OF THIS ORDINANCE; PROVIDING FOR THE SEVERABILITY OF PROVISIONS OF THIS ORDINANCE; AND PROVIDING FOR THE REPEAL OF ALL INCONSISTENT ORDINANCES OR RESOLUTIONS OR PARTS OF ORDINANCES OR RESOLUTIONS.

WHEREAS, the City of Reading (the "City") is a political subdivision of the Commonwealth of Pennsylvania (the "Commonwealth") and is a "local government unit" under provisions of the Act of the General Assembly of the Commonwealth known as the Local Government Unit Debt Act, as codified by the Act of December 19, 1996, (P.L. 1158, No. 177), as amended from time to time (the "Debt Act"); and

WHEREAS, the Reading Area Water Authority (the "Authority") is incorporated, organized and existing under the Pennsylvania Municipality Authorities Act, Act 22 of 2001, as amended and supplemented from time to time, of the Commonwealth (the "Act"); and

WHEREAS, the Authority intends to authorize and issue its Debt Obligation in an aggregate principal amount of \$6,550,000 (the "Pennvest Debt Obligation"), under and pursuant to the provisions of a resolution of the Authority;

WHEREAS, the proceeds to be derived from the issuance and sale of the Pennvest Debt Obligation will be applied, together with other funds available or to be available to the Authority, for and towards a project (the "Project") which consists of the following: (i) certain capital projects of the Authority, including the construction of a new 18th ward booster station to service the 18th ward, the cleaning and relining of the 11th Street water main, and the replacement of 7,500 residential water meters; and (ii) the payment of the costs and expenses associated with the issuance of the Pennvest Debt Obligation; and

WHEREAS, the Council (the "Council") of the City has determined (i) that the Project is in the best interests of the City and its residents, and (ii) that it desires to approve the Project and to request the Authority to undertake the Project; and

WHEREAS, the City, as an inducement to the Authority to undertake the Project and to authorize and to issue the Pennvest Debt Obligation, and as an inducement to the Pennsylvania Infrastructure Investment Authority ("Pennvest") to fund the Pennvest Debt Obligation, and to thereby achieve interest cost and other savings to the Authority and to the residents and taxpayers of the City and other users of the Authority's facilities in the City, desires to enter into: (i) the Reimbursement Agreement (the "Reimbursement Agreement") with the Authority, and (ii) a Guaranty Agreement (the "Guaranty Agreement") with the Authority and Pennvest, all as permitted by and in accordance with the terms and conditions of the Debt Act.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED, by the Council of the City, as follows:

1. (a) The City hereby authorizes and approves the Project and requests that the Authority undertake the Project. The City authorizes and approves the issuance of the Pennvest Debt Obligation by the Authority and determines to incur lease rental debt in an aggregate principal amount of \$6,550,000 by the execution and delivery of the Guaranty Agreement.

(b) The City hereby finds and determines that (i) the Project is in the best interests of the City and its residents, and (ii) it is desirable for the health and safety of the people of the City that the City uses the facilities of the Authority.

2. (a) The lease rental debt authorized to be incurred hereby is for the purpose of financing the Project.

(b) The City hereby finds and determines that the useful life of the assets comprising the Authority's water distribution and conveyance system range from at least ten (10) years to at least forty (40) years.

3. The aggregate principal amount of the Pennvest Debt Obligation, payment of which is assured by the Guaranty Agreement, shall not exceed \$6,550,000.

4. The debt to be evidenced by the Guaranty Agreement shall be lease rental debt of the City.

5. The Mayor and City Clerk, or any other proper officials of the City, and, if applicable, their duly qualified respective successors, are hereby authorized and directed to prepare, to certify, to acknowledge, and to file the debt statement and the borrowing base certificate, as appropriate, required by Section 8110 of the Debt Act and to take any and all other action necessary at the time or from time to time in connection with carrying out the intent of this Ordinance or necessary to comply with the Debt Act.

6. The Mayor and City Clerk, or any other proper officials of the City, and, if applicable, their duly qualified respective successors, are hereby authorized and directed to execute, attest, seal, and deliver the Guaranty Agreement and the Reimbursement Agreement, respectively, in substantially the forms set forth on Exhibit "A" and Exhibit "B" hereto with such insertions, deletions, and amendments as the officers of the City executing said documents and the Solicitor to the City shall deem necessary. The execution, attestation, and delivery of the Guaranty Agreement and the Reimbursement Agreement by appropriate officers of the City shall constitute conclusive evidence of such approval.

7. In the event that the City is obligated to make payments under the Guaranty Agreement, the maximum amounts required to be paid thereunder, if any, from the general revenues of this City, are as set forth on Exhibit "C" hereto. Exhibit "C" is incorporated herein by reference with the same force and effect as if fully set forth in the text hereof. If at any time the City is required to make any payment under the Guaranty Agreement, proper officers of the City are hereby authorized and directed to do so.

8. The City covenants to and with the owners, from time to time, of the Pennvest Debt Obligation that the City (a) shall include the amounts payable in respect of the Guaranty Agreement for each fiscal year in which such sums are payable in its budget for that year, (b) shall appropriate such amounts from its general revenues for the payment of such payment, and (c) shall duly and punctually pay or cause to be paid from any of its revenues or funds the amount payable in respect of the Guaranty Agreement, at the dates and place and in the manner stated in such Guaranty Agreement, and according to the true intent and meaning thereof. The City pledges its full faith, credit, and taxing power for such budgeting, appropriation, and payment in respect to the Guaranty Agreement. This covenant shall be specifically enforceable in accordance with the Debt Act.

9. The Mayor and City Clerk, or any other proper officials of the City, and, if applicable, their duly qualified respective successors, are authorized and directed, if necessary or desirable, to cause to be prepared and filed with the Department of Community and Economic Development of the Commonwealth of Pennsylvania, appropriate statements required by Section 8026 of the Debt Act which are necessary to qualify the lease rental debt of the City, which is subject to exclusion as self-liquidating debt pursuant to the Debt Act, for exclusion from the appropriate debt limits as self-liquidating debt.

10. The proper officers of the City are hereby authorized and directed to execute, attest, and deliver any and all necessary or appropriate documents, instruments, and certificates and to do any and all necessary or appropriate things in connection with the transactions hereby contemplated.


11. All ordinances and resolutions or parts thereof, insofar as that same are inconsistent herewith, are repealed hereby.

12. This Ordinance shall become effective in accordance with the provisions of the Debt Act.

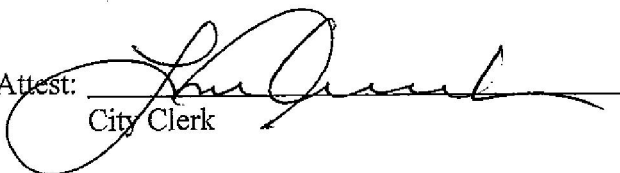
13. In the event any provision, section, sentence, clause, or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause, or part of this Ordinance, it being the intent of the City that the remainder of the Ordinance shall remain in full force and effect.

DULY ENACTED AND ORDAINED, this 24th day of August, 2009, by the Council of the City of Reading, Pennsylvania, in lawful session duly assembled.

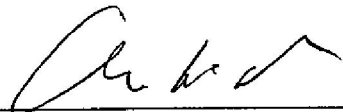
CITY OF READING, PENNSYLVANIA

By: 

President of Council

Attest:  (SEAL)

City Clerk

Approved: 

Mayor

EXHIBIT "A"

FORM OF GUARANTY AGREEMENT

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT is made this 30th day of October, 2009 between [%GUARANTOR 1 NAME%], with an office at [%GUARANTOR 1 ADDRESS%] ("Guarantor"), Reading Area Water Authority, with a mailing address of [%FINANCIAL DISBURSEMENT ADDRESS%] ("Funding Recipient"), and the PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY, a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania, with an office at 22 South Third Street, Harrisburg, Pennsylvania 17101 ("Authority").

WITNESSETH

WHEREAS, the Funding Recipient and the Authority have executed a funding agreement dated this date, pursuant to which the Authority is obligated to make future advances to the Funding Recipient under the terms and conditions set forth therein ("Funding Agreement"), all of which are incorporated herein by reference, including all defined terms therein; and

WHEREAS, the Funding Recipient has executed and delivered to the Authority its debt obligation dated this date ("Debt Obligation"), payable to the order of the Authority in the stated principal sum of \$6,550,000.00, payable with interest and on the terms and conditions set forth therein, all of which are incorporated herein by reference; and

WHEREAS, in consideration of the Debt Obligation and as further security for the repayment thereof with interest as aforesaid, and as security for the due and timely performance by the Funding Recipient of all of the other provisions of the Funding Documents, the Authority has required the Funding Recipient to furnish the Project Collateral, including without limitation, this Guaranty; and

WHEREAS, in accordance with the terms and conditions of the Funding Documents, the Guarantor, the Funding Recipient and the Authority intend to enter into this agreement ("Guaranty Agreement") providing for the full and unconditional guaranty of repayment of the Debt Obligation in accordance with the terms and conditions of the Funding Documents and the assignment of Guarantor's respective right, title and interest in and to all those leases now or hereafter existing or affecting all or any portion of the System ("Leases") as set forth in this Guaranty Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, covenant and agree as follows:

A. ASSIGNMENT OF LEASES AND RENTS

1. ASSIGNMENT OF LEASES AND RENTS

For value received, Guarantor hereby assigns, transfers and sets over to the Authority all of Guarantor's respective right, title and interest in and to all those leases ("Leases") now or hereafter

existing or affecting all or any portion of the System, together with the buildings and projects thereon ("Project") and any and all extensions and renewals thereof and together with any and all guaranties of any lessee's performance under its Lease (each a "Lease Guaranty"). Guarantor shall have the present and continuing right to collect, receive and retain all of the rents, income, receipts, revenues, issues and profits now or hereafter due, arising or issuing from or out of the Leases or from or out of the System or Project or any part hereof (collectively the "Rents"), subject, however, to the revocable license hereby granted by the Authority to Guarantor, but limited as hereinafter provided, to collect and receive all of the Rents.

2. SURVIVAL

Such assignment shall be granted to the Authority, its successors and assigns, until all sums payable to the Authority under the Debt Obligation and the other Funding Documents is paid in full in accordance with the terms and conditions herein and is hereby granted to the Authority for the purpose of securing the payment of the obligations and indebtedness of the Funding Recipient to the Authority pursuant to the Funding Documents, or any of them, including any amendments, extensions and renewals thereof and any supplemental debt obligations increasing any indebtedness to the Authority as well as the payment, observance, performance and discharge of all other obligations, covenants, conditions and warranties contained in the Funding Documents.

3. REPRESENTATIONS AND WARRANTIES

Guarantor represents and warrants that:

- a. Guarantor has good title to the Leases and Rents hereby assigned and the power and right to assign them, and that, except as identified in the Project Specific Terms, attached as Exhibit A to the Funding Agreement, no other person, firm or corporation has any right, title or interest therein;
- b. The Leases described in Project Specific Terms, attached as Exhibit A to the Funding Agreement, and made a part hereof by reference, are all of the Leases, and as of the date hereof there are no other leases or occupancy agreements which affect all or any portion of the System or Project;
- c. No other person or entity now has the right to occupy all or any part of the System or Project except pursuant to a Lease, each Lease constitutes the entire agreement between Guarantor and the lessee with respect to the leased premises, and the Leases are the only agreements between the Guarantor and the lessees;
- d. Guarantor has duly and timely performed to date all of the obligations, terms, covenants, conditions and warranties of the Leases on Guarantor's part to be kept, observed and performed;
- e. All of the Leases are in full force and effect, there are no existing defaults under any provisions of any of the Leases, no event has occurred which with the passage of time or giving of notice would become an event of default under any of the Leases, and there are no other circumstances which would permit any lessee to withhold rent or cancel a Lease;

f. Guarantor has not previously sold, assigned, transferred, mortgaged, pledged or otherwise encumbered the Leases or any of the Rents, whether now due or hereafter to become due, or any other right or interest granted therein, except as disclosed by the Guarantor to the Authority in the Funding Agreement;

g. No Rents have been collected for any period subsequent to the end of the calendar month in which this Assignment of Lease is executed and payment of any of the Rents has not been anticipated, waived, released, discounted, set off or otherwise discharged or compromised; and

h. Guarantor has not received any funds or deposits from any lessee except as expressly provided for in a Lease.

4. COVENANTS

Guarantor covenants and agrees as follows:

a. (i) To duly and timely to observe, perform and discharge all the obligations, terms, covenants, conditions and warranties of the Funding Documents and each Lease on the part of Guarantor to be kept, observed and performed; and

(ii) To give immediate written notice to the Authority of any failure on the part of Guarantor to do so under a Lease and of any notice received from a lessee (together with a copy of any such notice);

b. To enforce and secure the performance of each and every obligation, term, covenant, condition and agreement in each Lease and in any Lease Guaranty thereof on the part of the lessee or guarantor to be kept, observed and performed;

c. To appear in and defend any action or proceeding arising under or in any manner connected with any Lease and any Lease Guaranty, and upon request by the Authority, to do so in the name and behalf of the Authority, but at the expense of Guarantor, and to pay all costs and expenses of the Authority including reasonable attorney's fees, incurred with respect to any such action or proceeding; and

d. To deliver to the Authority at its request executed copies of any and all Leases and Lease Guaranties.

5. ADDITIONAL COVENANTS; WRITTEN CONSENT

Guarantor further covenants and agrees, except with the Authority's prior written consent in each instance:

a. Not to receive or collect any Rents for a period of more than one month in advance (whether in cash or by promissory note);

b. Not to sell, pledge, transfer, mortgage or otherwise encumber or assign (except hereby) any Lease or any Rent payments or any other right or interest granted herein;

c. Not to waive, excuse, condone, discount, set off, compromise, or in any manner release or discharge any lessee or guarantor of and from any obligations, covenants, conditions or agreements by that lessee or guarantor to be kept, observed and performed, including without limitation the obligation of that lessee to pay rent in the manner and at the place and time specified in its Lease; and

d. Not to amend, modify, cancel, terminate or consent to any surrender of any Lease or any Lease Guaranty.

6. DEFAULT

The falsity of any certification, representation or warranty of the Guarantor in this Assignment of Lease or the default by the Guarantor in the observance or performance of any obligation, term, covenant, condition or warranty herein shall constitute a default hereunder and under the Funding Documents.

7. COLLECTION OF RENTS

So long as the Guarantor is not in default under this Guaranty Agreement or any Lease and so long as the Funding Recipient is not in default under any of the Funding Documents, the Guarantor shall have the right under a license granted hereby to collect, but not more than one (1) month in advance, the Rents payable under the Leases. The Guarantor shall receive and hold such Rents, as well as the rights and license to receive such Rents, as a trust fund to be applied, and the Guarantor hereby covenants and agrees that such Rents shall be so applied, first to the payment of real estate taxes and other lienable assessments, then to the cost of insurance and maintenance and repairs, then to the satisfaction of the Guarantor's obligations under the Leases, and then, if applicable, to the payment of interest and principal and other sums becoming due under the Guaranty Agreement before using any part of the Rents for any other purpose.

8. RIGHTS AND REMEDIES

Upon or at any time after default by Guarantor hereunder or under any Lease, or default by the Funding Recipient under any of the Funding Documents, the Authority shall have the right and power to exercise and enforce any or all of the following rights and remedies, which shall be cumulative:

a. To revoke the license granted to Guarantor to collect the Rents, and then and thereafter, without taking possession, in the Authority's own name, to demand, collect, receive, sue for, attach and levy the Rents, to give proper receipts, releases and acquittances therefore, and after deducting all necessary and proper costs and expenses of operation and collection, as determined by the Authority, including reasonable attorney's fees, to apply the net proceeds thereof, to any indebtedness secured by this Guaranty Agreement or the Funding Documents and in such order as the Authority may determine;

b. To declare all sums secured by this Guaranty Agreement and by the Debt Obligation immediately due and payable and, at its option, exercise any or all of the rights and remedies provided in this Guaranty Agreement or any of the Funding Documents, or at law or in equity; and

c. Without regard to the adequacy of any security, and with or without any action or proceeding through any person or by agent or court-appointed receiver and irrespective of Guarantor's possession, then or thereafter to enter upon, take possession of, manage and operate the System, Project or any part thereof, make, modify, enforce, cancel or accept surrender of any Leases, remove and evict any lessee, increase or decrease Rents, decorate, clean and repair, and otherwise do any act or incur any costs or expenses as the Authority may deem proper to protect the security of this Guaranty Agreement, including the assignment of Leases herein, as fully and to the same extent as Guarantor could do if in possession, and in any such event to apply the Rents so collected to such costs and expenses in such order as the Authority may determine, including without limitation to the payment of reasonable management, brokerage and attorneys' fees, the costs of maintenance, repair or replacement of the System or the Project and the indebtedness secured by this Guaranty Agreement or the Debt Obligation.

Provided, however, that the acceptance by the Authority of this assignment of Leases, with all of the rights and powers created under this Guaranty Agreement, shall not, prior to entry upon and taking of possession of the System or Project by the Authority, be deemed to constitute the Authority a mortgagee in possession nor thereafter or in any event obligate the Authority to appear in or defend any action or proceeding relating to any of the Leases or the System or Project, or to take any action under this Guaranty Agreement or to expend any money or incur any expense or perform or discharge any obligation or liability under any Lease, nor shall the Authority be liable in any way for any injury or damage to person or property sustained by any person, firm or corporation in or about the System or Project.

And provided further that the collection of Rents and application as aforesaid and/or the taking of possession of the System or Project or the taking by the Authority of any other remedial action shall not cure or waive any default or waive, modify or affect any notice of default under this Guaranty Agreement or any of the Funding Documents or invalidate any act done pursuant to such notice, and the enforcement of any such right or remedy by the Authority, once exercised, shall continue for so long as the Authority shall elect, notwithstanding that the collection and application as aforesaid of such Rents may have cured the original default. If the Authority thereafter elects to discontinue the exercise of any such right or remedy, that or any other right or remedy hereunder may be reasserted at any time and from time to time following any subsequent default.

9. INDEMNIFICATION

Guarantor hereby agrees to indemnify, defend and hold the Authority harmless from and against any and all liability, loss, damage or expense that it may or might incur by reason of this Guaranty Agreement, including the assignment of Leases herein, or by reason of any action taken by the Authority in good faith hereunder, or by reason or in defense of any claims or demands that may be asserted against the Authority arising out of any Lease, including without limitation any claim by a lessee for credit for rental paid to and received by Guarantor, but not delivered to the Authority, for any period more than one (1) month in advance of the due date thereof. If the Authority incurs any such liability, loss, damage or expense, the amount thereof (including reasonable attorneys' fees) with interest thereon at the interest rate specified in the Debt Obligation shall be payable by Guarantor to the Authority immediately without demand, and shall be secured hereby.

10. MERGER OF INTERESTS

So long as any of the indebtedness secured hereby and by the Debt Obligation remains outstanding, unless the Authority otherwise consents in writing, the fee estate and the leasehold interest in the System or Project shall not merge.

11. OTHER REQUIRED ACTION

Guarantor, upon any request by the Authority to do so, shall execute, deliver and file or record in the proper governmental offices any instrument and take any other action that the Authority may deem necessary or desirable to create, preserve, perfect or terminate this assignment of Leases or to enable the Authority to exercise or enforce any of its rights hereunder, or to otherwise carry out the intent and purpose of this Guaranty Agreement, including the assignment of Leases herein.

12. SUCCESSORS AND ASSIGNS

The terms, covenants, conditions and warranties contained herein shall bind all lessees, subtenants and their respective successors, assigns, and all subsequent holders of any interest in the System or Project.

B. MISCELLANEOUS

1. EXERCISE OF RIGHTS

The failure of the Authority to enforce or exercise any of its rights under this Guaranty Agreement at any time or times shall not be construed or deemed to be a waiver of any such right, and nothing contained in this Guaranty Agreement, nor anything done or omitted to be done by the Authority pursuant to this Guaranty Agreement, shall be deemed a waiver by the Authority of any of its other rights and remedies under this Guaranty Agreement or under any of the Funding Documents or at law or in equity. The right of the Authority to collect the indebtedness evidenced by the Debt Obligation and to enforce any security or collateral therefore may be exercised by the Authority, either prior to, simultaneously with, or subsequent to any action taken under this Guaranty Agreement.

2. SATISFACTION OF OBLIGATIONS

Upon payment in full of all of the indebtedness and all other sums payable under this Guaranty Agreement, the Debt Obligation and the other Funding Documents, this Guaranty Agreement shall become void and of no effect, but the affidavit, certificate, letter or statements of any officer of the Authority stating that any part of said indebtedness remains unpaid shall constitute conclusive evidence of the validity, effectiveness and continuing force of this Guaranty Agreement, and any person, firm or corporation may and is hereby authorized to rely thereon. A demand on any lessee made by the Authority for payment of any Rents claimed by the Authority shall be sufficient warrant to that Lessee to make future payments of rents to the Authority without the necessity for further consent by Guarantor.

3. SUCCESSORS AND ASSIGNS

This Guaranty Agreement shall inure to the benefit of and shall be binding upon the parties hereto

and their respective successors and assigns, and the Authority shall have the right to enforce this Guaranty Agreement as provided in law or in equity for the benefit of its successors or assigns from time to time, if it so chooses.

4. NOTICES

All notices required or desired to be given to either of the parties hereunder shall be in writing and shall be deemed to have been sufficiently given for all purposes when presented personally to such party or sent by receipted mail via overnight courier, certified or registered mail, return receipt requested, or Electronic Postmark delivery through the United States Post Office to such party at its address set forth below:

Guarantor: [%GUARANTOR 1 NAME%]
[%GUARANTOR 1 ADDRESS%]

and

Reading Area Water Authority
[%BORROWER LEGAL ADDRESS%]

Authority: Pennsylvania Infrastructure Investment Authority
22 South Third Street
Harrisburg, Pennsylvania 17101
Attention: Executive Director

Such notice shall be deemed to be given when received if delivered personally or two (2) days after the date mailed if sent by certified or registered mail. Any notice of any change in such address shall also be given in the manner set forth above. Whenever notice is required, the party entitled to receive such notice may waive the requirement by notifying the party required to give the notice in writing.

5. AMENDMENT; MODIFICATION

No amendment, change, modification, alteration or termination of this Guaranty Agreement shall be effective unless in writing and signed by the parties hereto.

6. NUMBER; GENDER

Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Guaranty Agreement shall be used interchangeably in the singular or plural form and the use of any gender shall include all genders. The words "Guaranty Agreement", "Funding Agreement", "Debt Obligation" or "Funding Documents" shall include any supplements to or any amendments of or restatements of the Guaranty Agreement, Funding Agreement, Debt Obligation or Funding Documents.

7. COUNTERPARTS

This Guaranty Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one

and the same Guaranty.

8. GOVERNING LAW

This Guaranty Agreement shall be construed in accordance with and governed in all respects by the laws of the Commonwealth of Pennsylvania.

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IN WITNESS WHEREOF, the Funding Recipient and the Guarantor have executed this Guaranty Agreement effective on the date first above written.

ATTEST:

[%GUARANTOR 1 NAME%]

Authorized Signatory

(SEAL)

ATTEST:

Reading Area Water Authority

Authorized Signatory

(SEAL)

EXHIBIT "B"

FORM OF REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT, dated as of the ____ day of _____, 2009, but effective as of the date of execution and delivery hereof, by and among the CITY OF READING, Pennsylvania (the "City"), being a political subdivision of the Commonwealth of Pennsylvania and READING AREA WATER AUTHORITY (the "Authority"), a body corporate and politic organized and existing under the Municipality Authorities Act, Act 22 of 2001, as amended and supplemented, of the Commonwealth of Pennsylvania.

WITNESSETH:

WHEREAS, the capitalized terms used herein which are not defined herein shall have the meaning given them in the Loan Agreement (hereinafter defined), or the Guaranty Agreement (hereinafter defined); and

WHEREAS, the Authority intends to authorize and to issue its Debt Obligation, in the aggregate principal amount of \$6,550,000 (the "Debt Obligation"), under and pursuant to the terms of that certain Funding Agreement, dated as of _____, 2009 (the "Loan Agreement"), between the Authority and the Pennsylvania Infrastructure Investment Authority ("Pennvest"); and

WHEREAS, the proceeds derived from the issuance and sale of the Debt Obligation will be applied, together with other funds available or to be available to the Authority, for and toward the payment of the following: (i) certain capital projects of the Authority, including the construction of a new 18th ward booster station to service the 18th ward, the cleaning and relining of the 11th Street water main, and the replacement of 7,500 residential water meters; and (ii) the costs and expenses associated with the issuance of the Debt Obligation; and

WHEREAS, the City as an inducement to the Authority to authorize and issue the Debt Obligation, and as an inducement to any and all registered owners of the Debt Obligation to purchase such Debt Obligation and to further enhance and ensure the marketability of the Debt Obligation and thereby achieve interest costs and other savings to the Authority and to the users of the Authority's facilities, desires to execute and deliver its Guaranty Agreement (the "Guaranty Agreement") with respect to the payment of Debt Service on the Debt Obligation all as permitted by and in accordance with the terms and conditions of the Local Government Unit Debt Act (the "Debt Act") of the Commonwealth of Pennsylvania (the "Commonwealth") and to enter into this Reimbursement Agreement in connection therewith; and

WHEREAS, the Council (the "Council") of the City is acting in the public interest by assisting in providing modern, high quality water facilities at the lowest possible cost to the users of such facilities and the citizens and taxpayers of the City, and by assisting in preserving and protecting the general health and welfare of the inhabitants of the City and of the

Commonwealth.

NOW, THEREFORE, intending to be legally bound hereby, the City and the Authority hereby agree as follows:

1. Execution and Delivery of Guaranty Agreement. Subject to the terms and conditions hereinafter set forth, the City hereby agrees to execute, attest, seal and deliver to the Authority and Pennvest, on or before the date of issuance and delivery of the Debt Obligation by the Authority, the Guaranty Agreement. The Guaranty Agreement, substantially in the form approved by Council, is incorporated herein by reference.

2. Reimbursement and Other Payments.

(a) The Authority covenants and agrees that it shall pay to the City, on demand: an amount equal to any amount at any time paid by the City under the Guaranty Agreement, plus an additional amount equal to any and all reasonable charges and expenses which the City pays or incurs in connection with making payments under the Guaranty Agreement or enforcing reimbursement hereunder.

(b) All payments at any time made by the Authority to the City hereunder shall be made in lawful currency of the United States of America in immediately available funds in such manner and at such place as the City may direct.

3. Conditions Precedent. As conditions precedent to the obligation of the City to execute and deliver the Guaranty Agreement, the City shall have received each of the following in form and substance satisfactory to it:

(a) A copy of the resolution of the Authority authorizing, among other things, the issuance of the Debt Obligation;

(b) A certificate of duly authorized officers of the Authority stating that (i) the representations and warranties of the Authority set forth in this Agreement and in the Guaranty Agreement are true, correct and complete as of the date of issuance of Debt Obligation; and (ii) no event of default under this Agreement or the Loan Agreement has occurred and is continuing, or would result from the issuance and sale of the Debt Obligation and no event has occurred and is continuing which, with the giving of notice or lapse of time or both, would constitute an event of default under this Agreement or the Loan Agreement;

(c) An opinion of Setley, Rauch & Bucolo, LLC, Counsel to the Authority as to: (i) the due existence of the Authority; (ii) the power of the Authority to enter into and perform its obligations under this Agreement, the Debt Obligation, and all other agreements, documents, instruments or collateral security documents executed and delivered by or on behalf of the Authority at the closing of the sale of the Debt Obligation; and (iii) the due validity, binding effect and enforceability of this Agreement, the Debt Obligation, and all other agreements, documents, instruments and collateral security documents, subject, however, in each case, to laws and equitable principles affecting the enforcement of creditors rights generally;

(d) The opinion of Charles Younger, Esquire, City Solicitor, regarding (i) the due existence of the City; (ii) the valid incumbency of the officers of the City; and (iii) the legal, valid and binding enactment of the Ordinance approving the Guaranty Agreement and this Agreement and authorizing and directing, among other things, the execution, attestation and delivery thereof by proper officers of the City;

(e) Executed copies of this Agreement and all related documentation delivered in connection therewith; and

(f) The approval of the Department of Community and the Economic Development, as required by the Debt Act, with respect to the execution and delivery of the Guaranty Agreement and the incurrence of lease rental debt by the City.

4. Obligations Absolute. The obligations of the Authority under this Agreement shall be absolute, unconditional and irrevocable, and shall be fully performed strictly in accordance with the terms and conditions of this Agreement, under all circumstances whatsoever, including, without limitation, the foregoing: (i) any lack of validity or enforceability of the Guaranty Agreement, the Debt Obligation or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from the terms and conditions of the Guaranty Agreement, the Debt Obligation or any documents relating thereto; or (iii) the existence of any claim, set-off, defense or other right which the Authority may have at any time against Pennvest (or any person or entities for whom Pennvest may be acting), the City or any other person or entity, whether in connection with this Agreement, the transactions described herein or any unrelated transaction.

5. Representations and Warranties. The Authority hereby represents and warrants as follows:

(a) The Authority is a municipality authority duly organized and validly existing under the Municipal Authorities Act of the Commonwealth, Act 22 of 2001, as amended and supplemented. Each of the individuals executing and delivering this Agreement, the Guaranty Agreement, the Loan Agreement, the Debt Obligation and all related documents and instruments possesses full power and authority to execute and deliver such documents and such execution and delivery does not contravene the terms or provisions of any document, agreement or instrument to which the Authority or any of its properties or assets is or may be bound;

(b) The execution, delivery and performance by the Authority of this Agreement, the Guaranty Agreement, the Loan Agreement, the Debt Obligation and related documents and instruments has been duly authorized by all necessary action, do not contravene the provisions of the Articles of Incorporation or By-Laws of the Authority or of any other agreement or instrument binding on or affecting the Authority or any of its assets or properties, and does not result in or require the creation of any lien, security interest or other charge or encumbrance (other than pursuant to this Agreement, the Guaranty Agreement, or any other collateral security document or instrument executed and delivered at the closing held this day) upon or with respect to any of the Authority assets or properties;

(c) No authorization, approval or other consent or action by, and no notice to

or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Authority of this Agreement, the Guaranty Agreement, the Debt Obligation or any related document or instrument, except such as have been obtained.

(d) This Agreement, the Guaranty Agreement, the Loan Agreement, the Debt Obligation and any related document or instrument, executed and delivered by or on behalf of the Authority constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, subject, however, to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting the enforcement of creditors' rights generally; and

(e) There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Authority and, to the best of the knowledge of the Authority, there is no threatened action or proceeding against the Authority before any court, governmental agency or arbitrator which, in any case, may materially and adversely affect the financial condition or operations of the Authority or any other material contingent liability of any kind (which has not heretofore been disclosed to the City).

6. Covenants of the Authority. So long as the Guaranty Agreement shall remain in full force and effect, or any amount is due and owing to the City under the provisions of this Agreement, the Authority covenants and agrees that it shall, unless the City shall have otherwise consented in writing:

(a) Preservation of Existence. Preserve and maintain its due existence, and its right to do business and its good standing in the Commonwealth, and will maintain (and obtain) all licenses, permits and other authorizations necessary, proper or desirable for the ownership and operations of its facilities.

(b) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority the non-compliance with which would materially and adversely affect its operations or condition.

(c) Keeping of Books. Keep proper, accurate and complete books of record and account, in which full and correct entries shall be made of financial transactions and the assets and operations of the Authority.

(d) Guaranty Agreement. Observe, in all respects, its obligations under the Guaranty Agreement.

(e) Repayment of Amounts Advanced. At any time after the City shall have paid such amount or amounts as at that time shall be required to pay Debt Service on the Debt Obligation, in accordance with the provisions of the Guaranty Agreement or shall have paid any costs, fees or expenses guaranteed thereby, to repay to the City the amount or amounts actually advanced by the City, together with interest on such amounts, all in accordance with the terms of this Agreement.

7. Defaults and Remedies. Each of the following shall constitute an event of default hereunder ("Event of Default") unless waived by the City hereunder:

(a) Failure by the Authority to make any payment of Debt Service when due and payable;

(b) Failure by the Authority to perform or comply with any of the other terms or conditions contained in this Agreement, the Guaranty Agreement, the Loan Agreement, or the Debt Obligation and continuance of such failure uncured for 30 days after the Authority has knowledge that such failure has occurred, or such longer period to which the City may agree in the case of a default not curable by the exercise of due diligence within such 30-day period, provided that the Authority shall have commenced such default within such 30-day period and shall complete such cure as quickly as reasonably possible with the exercise of due diligence;

(c) Any of the representations or warranties of the Authority set forth in this Agreement, the Guaranty Agreement, the Loan Agreement or in any other certificate, document, statement, instrument or agreement furnished to the City pursuant to the terms hereof or the Guaranty Agreement proves to have been materially false when made or the failure by the Authority to comply with the covenants made by the Authority in Section 6 hereof;

(d) Any material provision of this Agreement, the Loan Agreement, or the Debt Obligation shall at any time for any reason cease to be valid and binding on the Authority, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Authority or any governmental agency or authority, or the Authority shall deny that it has any or further liability or obligation under this Agreement, the Loan Agreement, or the Debt Obligation; or

(e) The Authority shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like for its property, or (ii) admit in writing its inability to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankruptcy or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code (or any successor to such code) or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against such corporation in any bankruptcy, reorganization or insolvency proceeding, or to take any action for the purpose of effecting any of the foregoing, or (vi) if without the application, approval or consent of the Authority, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like or of all or any substantial part of the assets of the Authority or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain undismissed and unstayed for a period of 60 days.

If an Event of Default has occurred and is continuing, the City may exercise, or cause to

be exercised, any and all such remedies as it may have at law or in equity.

8. Amendments, Etc. No amendment, waiver or consent of any provision of this Agreement shall in any event be effective unless the same shall be in writing and executed by the City, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

9. No Waiver; Remedies Cumulative. No failure on the part of the City to exercise, and no delay in exercising, any right hereunder or elsewhere shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder or elsewhere preclude any other or further exercise thereof or the exercise of any other right.

10. Continuing Obligation. This Agreement and the Guaranty Agreement are continuing obligations and shall: (i) be binding upon the Authority and the City and their respective successors and assigns; and (ii) inure to the benefit of and be enforceable by the Authority and the City and their respective successors and assigns; provided that the Authority may not assign all or any part of this Agreement without the prior written consent of the City.

11. Indemnification. The Authority hereby indemnifies and holds harmless the City from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the City may incur (or which may be claimed against the City by any person or entity whatsoever) by reason of or in connection with the execution and delivery of, or payment or failure to pay under, the Guaranty Agreement; provided the Authority shall not be required to indemnify the City for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by: (a) the willful misconduct or gross negligence of the City; or (b) the City's willful failure to pay under the Guaranty Agreement. Nothing in this Section is intended to limit the Authority's reimbursement obligation contained in paragraph (a) of Section 2 hereof.

12. No Recourse. No recourse under or upon any obligation, covenant or agreement contained herein, in the Loan Agreement or in the Debt Obligation, or because of any indebtedness secured hereby shall be had against any past, present or future member, officer or employee of the Authority or the City or of any successor of the Authority or the City under any rule of law, statute or constitutional provision, or by enforcement of any assessment or by any legal or equitable proceeding or otherwise, it expressly being agreed and understood that the obligations of the Authority hereunder, and under the Debt obligation and elsewhere are solely corporate obligations of the Authority and that no personal liability whatsoever shall attach to or shall be incurred by such members, officers or employees of the Authority or of any successor of the Authority, or any of them, because of such indebtedness or by reason of any obligation, covenant or agreement contained herein, in the Debt obligation or elsewhere, or implied therefrom.

13. Conflicts. Insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the Guaranty Agreement but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable law, provided, however, that nothing herein contained shall limit or alter the City's obligations under the Guaranty Agreement.

14. Severability. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent that it is not prohibited or unenforceable, nor invalidate the other provisions hereof, all of which shall be liberally construed in favor of the City in order to effect the provisions of this Agreement.

15. Governing Law. This Agreement shall be governed by, and construed in accordance with, the domestic internal laws (but not the law of conflicts of law) of the Commonwealth.

16. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

IN WITNESS WHEREOF, the Authority and the City have each caused this Agreement to be duly executed by its duly authorized officers, and its seal affixed hereon, and this Agreement delivered in its name as of the date first above written.

CITY OF READING, PENNSYLVANIA

By: _____
Mayor

Attest: _____ (SEAL)
City Clerk

READING AREA WATER AUTHORITY

By: _____

Attest: _____ (SEAL)

Date of Execution and Delivery: _____, 2009

EXHIBIT "C"

MAXIMUM LEASE RENTAL OBLIGATIONS

YEAR	TOTAL MAXIMUM ANNUAL LEASE RENTAL OBLIGATIONS
2009*	\$7,185.71
2010*	83,447.00
2011	323,213.13
2012	371,166.36
2013	371,166.36
2014	371,166.36
2015	371,166.36
2016	400,738.86
2017	406,653.36
2018	406,653.36
2019	406,653.36
2020	406,653.36
2021	406,653.36
2022	406,653.36
2023	406,653.36
2024	406,653.36
2025	406,653.36
2026	406,653.36
2027	406,653.36
2028	406,653.36
2030	406,653.36
2031	67,775.56

*Represents the aggregate amount of monthly payments of interest only commencing November 1, 2009. Principal amortization commences March 1, 2011, at an interest rate of 1.274% for 60 months, which changes to 2.547% for the final 180 months of the Debt Obligation term.

MAYOR'S ACTION

Bill No. 49-2009

Submitted to Mayor: JR

Date: 8-25-09

Received by Mayor's Office: JR

Date: 8/25/09

Approved by Mayor: Or

Date: 8/25/09

Vetoed by Mayor: _____

Date: _____

Sustained by Council: _____

Date: _____

Overridden by Council: _____

Date: _____